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FISCAL IMPACT STATEMENT

LS 7390

BILL NUMBER: SB 585

NOTE PREPARED: Feb 14, 2013

BILL AMENDED: Feb 14, 2013

SUBJECT: State and Local Administration.

FIRST AUTHOR: Sen. Charbonneau

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: (Amended) The bill requires the Department of Local Government Finance (DLGF) to increase the maximum property tax levy of the city of Gary. It provides that the adjustment to the maximum property tax levy of the city of Gary apply to property taxes first due and payable after December 31, 2012.

The bill decreases the maximum property tax levy of the Gary Sanitary District to zero, and provides that beginning with property taxes first due and payable after December 31, 2012, the district may not impose a property tax levy for its general fund.

The bill also terminates on September 1, 2013, the term of each existing member serving on the board of the Gary Airport Authority (Board). The bill provides that appointments to the Board must also be approved by the Governor. It requires that each person appointed to the Board must have knowledge of and at least five years professional work experience in aviation, regional economic development, and/or business or finance.

The bill specifies that the Indiana Finance Authority (IFA) shall contract with a certified public accountant for an annual financial audit of the Gary Airport Authority. The bill also provides that the State Board of Accounts (SBOA) may at any time conduct an audit of any phase of the operations of the Gary Airport Authority. The bill requires the Board, not later than four months after the end of the airport authority's fiscal year, to submit an annual report of the Board's activities to the State Budget Agency and the Legislative Council.

The bill requires the Ports of Indiana Commission to report to the Budget Committee not later than December 1, 2013, on the feasibility and economic impact of establishing a second port to serve Lake Michigan.

This bill also requires the State Department of Health to investigate and study whether there is a need for a Level 1 trauma center and academic medical center in northwestern Indiana.

Effective Date: (Amended) January 1, 2013 (Retroactive); July 1, 2013; September 1, 2013.

Explanation of State Expenditures: (Revised) *Gary Airport Authority Board* - The bill ends the terms of existing members on January 1, 2014. Appointments made to the Board after January 1, 2014, must be made with the approval of the Governor. Additionally, each appointed member must have at least five years of professional work experience in aviation, regional economic development, and/or business or finance.

The Indiana Finance Authority is to contract with a certified public account on behalf of the Board to provide an annual financial audit and study of internal accounting controls of the airport authority. Concurrently, the State Board of Accounts may at any time conduct an audit of any phase of the operations of the airport authority. The airport authority shall pay for all costs associated with these audits and studies.

The Board must also submit an annual report of its activities for the preceding year to the State Budget Agency and the Legislative Council. This annual report must be submitted not later than four months after the end of the Airport Authority's fiscal year.

Ports of Indiana Feasibility Study - The Ports of Indiana is to complete a feasibility study on the possibility of establishing a second port to serve Lake Michigan. The Ports will pay for the cost of this study out of its own revenue. In 1971, the General Assembly paid for a feasibility study on the port that ultimately became the Port of Indiana-Jeffersonville. The cost of the study at that time was \$50,000. Inflated to 2012 dollars, the same study today could cost roughly \$285,000. Using that information as well as comparisons on other port feasibility studies recently undertaken outside of Indiana, the study could potentially cost significantly more than this amount. A more exact cost estimate is not available at this time.

The Ports is a quasi-governmental agency that operates three ports - one on Lake Michigan and two on the Ohio River. The Ports operates under the direction of a seven-member board appointed by the Governor. The Ports generates its own operating budget from port leases, dock fees, and foreign-trade-zone licensing.

(Revised) *State Department of Health* - The bill requires the State Department of Health to investigate and study whether there is a need for a Level 1 trauma center and academic medical center in northwestern Indiana. The bill requires the State Department of Health to report its findings to the State Budget Committee not later than November 1, 2015.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: (Current) *Gary Sanitation District - Summary:* This bill would increase the maximum permissible levy for the city of Gary by \$4,944,930 beginning in CY 2013. The bill would also eliminate the maximum levy for the Gary Sanitary District. Overall, the combined maximum property tax levy for both units would be reduced by \$3.1 M per year. This bill would not affect debt levies.

Actual levies could increase by \$2.9 M in 2013 over the 2012 levy if the city chooses to use the additional maximum levy. But, under current law, the sanitary district may increase its levy by up to \$7.6 M. So the

potential levy increase is smaller under the bill than under current law.

Gary Sanitation District - Background: From 2010 through 2013 (current), the sanitary district's maximum levy has been frozen at \$7.6 M. In the sanitation general fund, the sanitary district levied \$4.9 M in CY 2010, \$3.0 M in CY 2011, and 0 in CY 2012. The district also had a \$2.7 M levy in the sanitary general fund in 2010.

State Agencies Affected: Department of Local Government Finance, State Department of Health, Ports of Indiana, Indiana Finance Authority, State Board of Accounts.

Local Agencies Affected: Gary Sanitary District.

Information Sources: Local Government Database, Department of Local Government Finance.

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